IATF Rules 6th Edition – Overview of Key Changes

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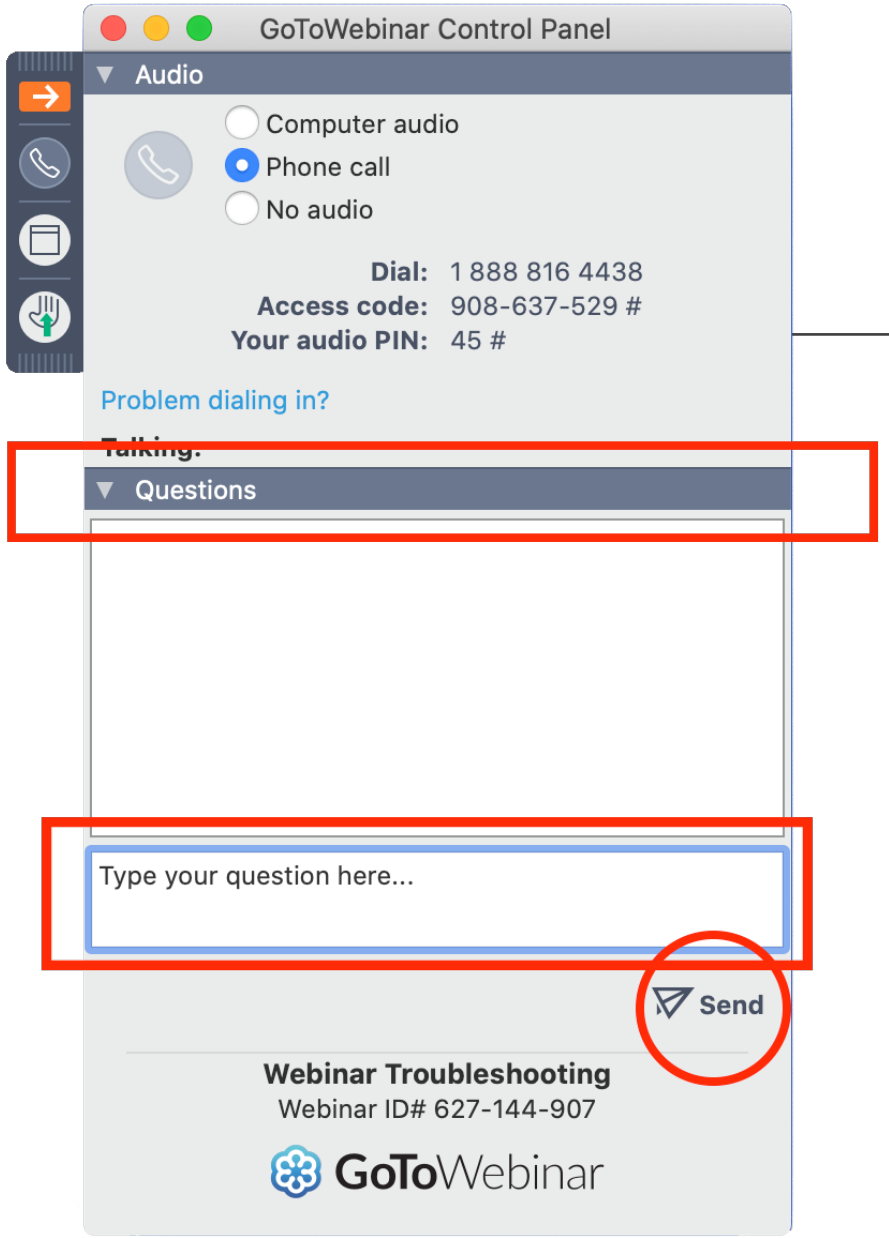

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Overview of Topics

What Is IATF Rules 6th Edition And Who Enforces It?

What Does IATF Rules 6th Edition Have To Do With Me And My Company?

What Are The Major Changes?

Concluding Remarks And Your Questions

What Is IATF Rules 6th Edition?

- The International Automotive Task Force (IATF) is responsible for publication of two key documents (among others) that impact automotive quality management system certification.
  - IATF 16949:2016 – this is the primary document that (along with ISO 9001:2015) **the company manufacturing a product for the automotive supply chain** is held accountable to in their audits from the certification body (PJR);
  - IATF Rules – this is the primary document that **PJR** is held accountable to as an accredited certification body.
- The official title is "Automotive Certification Scheme for IATF 16949 – Rules for Achieving and Maintaining IATF Recognition"
- We will be referring to this document throughout our presentation as "R6."

Who Enforces These Requirements?

- There are five official "Oversight Offices" that are tasked with enforcing IATF R6 for the various certification bodies. These oversight offices are:
  - SMMT (UK)
  - VDA/QMC (Germany)
  - IATF France
  - ANFIA (Italy)
  - IAOB (USA)

- PJR's accreditation is issued through the IAOB.

What Does This Have To Do With Me?

- The IATF Rules impact your certification in a number of ways, including areas such as:
  - Audit duration;
  - Eligibility for certification; and
  - Timelines for submission of information.
- With R6 – the IATF has introduced a number of important changes that will potentially impact you. In our estimation all PJR clients will be impacted by these changes – some to a lesser degree, some to a significant degree.
- R6 compliance will be mandatory on 1/1/25. Copies of R6 can be purchased by following the links provided at the IATF's website – www.iatfglobaloversight.org.

Change Categories

- Our presentation today will review the changes brought by R6 in the following key areas:
  - Eligibility changes;
  - Audit planning and timeline changes;
  - Audit duration changes; and
  - Changes impacting the process for responding to a nonconformance.

Eligibility Changes

A key hallmark of IATF 16949 (going all the way back to when it was TS 16949) has been its exclusivity to companies that manufacture a product that is used in the manufacture of an automobile. The older versions of the Rules included language about the requirements being applicable to things like heavy trucks, motorcycles, etc.

R6 introduces key verbiage changes that are intended to provide clarity on what types of products are IATF 16949 eligible.

"Homologation"

- Eligibility is discussed in section 1.0 of R6 – and the following statement is made:
  - "*Only organizations that manufacture and where applicable design and develop automotive products and vehicles are eligible for IATF 16949 certification.*"
    - Section 1.0 goes on to state that the term "Automotive Vehicles" means "*Homologated vehicles that are intended to be driven on public roads.*"
    - "Homologation" itself is defined in Section 10 of R6 as "*The whole vehicle approval process that results in a government issued certificate that allows a vehicle to be sold in a particular market.*"
- Bottom line: If the vehicle is primarily intended for public roads (cars, buses, motorcycles, heavy trucks, etc.) all parts that make up the manufacture/assembly of that vehicle qualify for IATF 16949 certification.

"Automotive Products"

- The term "Automotive Products" as referenced in the past slide is also given special explanation in Section 1 of R6 – here's what it says that term includes:
  - *Parts (including with embedded software) and processed materials which are manufactured to an automotive customer's specifications and integrated into the automotive vehicle during it's manufacture.*
    - These are usually referred to as "Production Parts"
    - "Processed Materials" usually refers to bulk materials that are used in the manufacturing process. This can include preparation of ingots, filaments, sheets, etc. It is important to note that the acquiring of raw materials (mining, excavation, etc.) is NOT eligible for IATF 16949 certification.
  - *Parts manufactured to OEM specification that are procured or released by the OEM and integrated into the automotive vehicle after its manufacture and before or after delivery to the final customer.*
    - **Please note that this includes aftermarket products which were formerly excluded by the IATF Rules.**
  - *Replacement parts and materials for automotive vehicles, including remanufactured parts.*
    - These are commonly called "service parts."
- Bottom line: There are many, many more types of products that are IATF 16949 eligible under R6 than there were under the previous version of the Rules.

What If I Manufacture **BOTH** Production And Aftermarket Parts?

- Under the new language that we've just reviewed in the prior two slides – it is clear that any product used on a homologated vehicle is eligible for IATF 16949 Certification.
- Organizations that are currently certified for their production parts only (and who also manufacture aftermarket products) can expect the aftermarket product lines to be subject to audit at their next IATF 16949 audit starting in 2025.
- This new language also means that companies that exclusively manufacture aftermarket products are now eligible for IATF 16949 Certification.

Extended Manufacturing Sites – Two Key Changes

- One of the more dramatic changes from R6 impacting certified clients are the requirements pertaining to Extended Manufacturing Sites (EMS).
- The most impactful of these changes are the following locational requirements:
  - All EMS must be no more than 10 miles from the manufacturing site they support; and
  - All EMS must be no more than an hour's drive from the manufacturing site they support.
- There is also some new language pertaining to management personnel at an EMS. Where in the past all management team members were required to be located at the manufacturing site – under R6 it states:
  - "*Management personnel may be located at an EMS, provided these personnel are responsible for controlling and managing their relevant area of responsibility at both the main site and the EMS, not just the EMS.*"

What If I Have An EMS That No Longer Qualifies?

- PJR has a handful of clients that operate an EMS that will no longer qualify for EMS designation under R6. Such clients have the following options:

    1. Transition the EMS to a full site certification (potentially as part of a campus scheme with the existing site); or

    2. Remove the EMS from the site certificate and operate the EMS as an uncertified facility.

- When your 2025 audit is due to be scheduled, PJR will need your organization to have decided on how you wish to address your (newly ineligible) EMS.

Audit Planning and Timeline Changes

- The next major area of impact from the client's perspective is in the area of planning and timeline expectations.
- There are many new rigorous expectations that will potentially impact your certification, and the information required from you in advance of your audit.

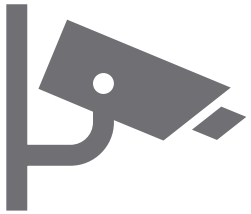
Confirmation of Audit Arrangements – **90 Days**

- New language in Section 5.7 mandates that the actual dates for the audit must be confirmed between the client and the CB **no less than 90 days** before the audit is slatted to begin.

Providing Pre-audit Planning Data – **30 Days**

- All versions of the IATF Rules have required that organizations provide certain data (customer scorecards, headcount information, KPI performance, etc.) in advance of the audit to enable the audit team to be prepared for the audit and to develop the audit plan.
- In the past if such data wasn't provided PJR had an option to add additional onsite audit time to give the auditor a chance to review the information just before the audit was set to take place.
- Under R6 that permissiveness has been removed. Effective in 2025 – if a client does not provide PJR with all required planning information at least 30 days prior to the start of the audit PJR is required to "delay the audit."
  - Please note that in most cases PJR will not have the available auditor resources to "delay" an audit for a short period of time.
  - R6 clause 5.7.1 goes on to state that delaying the audit may result in a loss of certification.
- **Bottom line – if we don't get the pre-audit planning data from you on time, we may have no choice but to revoke your certificate.**

No More Suspensions For A Delayed Surveillance Audit – **BUT…!**



PJR is no longer required to suspend a certificate for failure to perform the surveillance audit on time.

"On time" in this context means that your surveillance audit ENDS no more than 3 months prior or 3 months after the anniversary date of your last Stage 2 or Recertification audit.

However: if a client's surveillance audit does not take place on time we are required to revoke the certificate.

Support Locations That Work With Other Certification Bodies *(Part 1)*

IATF Rules mandates that interactions between manufacturing sites and their support locations must be audited “from both sides.”

A few of our clients have one or more support locations (sales offices, design centers, etc.) that have their IATF 16949 certification through another certification body (Dekra, NSF, etc.)

In situations such as this the expectation is that the audit reports will align in terms of what the support provided is.

The support can become difficult to substantiate if the other CB’s audit report doesn’t mention PJR’s client or the manner of support isn’t consistent.

Support Locations That Work With Other Certification Bodies *(Part 2)*

In the past – if the audit report from the other CB wasn't usable – PJR was permitted to audit the support location ourselves to ensure that the support to our client was assessed.

This type of arrangement is no longer permitted in R6.

R6 section 5.5.3 now states that if PJR can't use the report from the other CB, we must delay the audit until the other CB's report is updated to reflect support to our client.

Again – delaying the audit is going to be difficult in a lot of cases and may lead to certificate revocation.

Relocations Will *(In Almost All Cases)* Now Require A Full Stage 1/Stage 2 Audit

- R6 section 5.15 is dedicated to "Relocation" and outlines that an "initial" audit is required for all situations involving a manufacturing site, extended manufacturing site, or a support location moving from one building to another.
  - Yes – this includes moving across the street.
- "Initial Audit" is defined as comprising of BOTH a Stage 1 and a Stage 2 audit.
  - In the case of a support location being moved – PJR is allowed to exercise some discretion in the duration of the "initial" audit.
- R6 Section 3.2 makes clear that PJR must receive prompt advance notice of any client plans for a relocation event (or any other change impacting the IATF 16949 certification.)

Remote Audits Are Now *(Sort Of)* Possible

- Currently all requested remote audit arrangements must be approved in advance via a waiver process.
- Starting in 2025 PJR will be allowed to provide some very limited remote auditing services to our IATF 16949 clients without having to request a waiver.
- In order to be approved for a remote audit the following conditions must be met:
  - The location can only be a support location (i.e. not a manufacturing site) that has no product handling or design responsibilities;
  - The audit in question must be a surveillance audit; and
  - The location's most recent surveillance audit cannot have been done remotely.
- Bottom line – you're allowed to have a qualifying support location be assessed virtually once every three years during the surveillance cycle.
  - Remote audits are also possible in the case of a failed Stage 1 audit to permit rapid review of missing/incomplete information.

Audit Time *(Onsite and Offsite)* Changes

- The next major change we will explore from R6 are the many changes made that will impact audit planning and audit duration changes that will potentially have an impact on the cost of your IATF 16949 certification.

Changes To Audit Planning Time

- Under the prior version of the Rules PJR was given a certain amount of leeway in how much planning time we would assign to enable auditor review of planning information (KPI data, customer scorecards, etc.)
- R6 clause 5.7 now mandates that each manufacturing site **and support location** must receive a minimum of 0.5 day of billable offsite planning time.
  - If a manufacturing site has a dedicated support location (such as a nearby warehouse) PJR is permitted to assign a single pool of audit planning time (i.e. only 0.5 day) to the audit.
  - If the support location is providing support to multiple manufacturing sites (such as in a corporate scheme) PJR will likely have to provide our auditor with a special dedicated pool of audit planning time **intended for the support location.**
- You will be expected to provide appropriate pre-audit planning data for all manufacturing sites and all support locations.
  - Please note that the data required for a support location will not be as extensive as that required for a manufacturing site.
  - PJR has updated our audit planning checklist (F108tsdata) to include new prompts for this change.

Corporate Scheme Time Reduction Changes

- There have been a few key changes for clients who utilize the corporate scheme option from IATF Rules.
  - A Corporate Scheme arrangement means that there are two or more manufacturing sites (possibly with one or more support locations) that all share a common quality management system, upper management team, and a central location (usually referred to as “HQ” by most companies.)
- The most important of these changes has been the elimination of the tiered audit time reduction table from Rules 5th Clause 5.3.
- Under Rules 6th Edition – corporate scheme clients will only receive a 15% reduction in site audit duration (regardless of the number of participating sites.) (Please refer to the third paragraph of R6 Clause 5.3.)

More Audit Time Onsite And *(Likely)* More Audit Planning Time *(Part 1)*

- Under the older versions of the Rules, PJR was permitted to provide certain generous audit time reductions, including:
  - Up to a 40% reduction for a Corporate Scheme certification;
  - A 50% reduction for a company transitioning from a Letter of Conformance to a full certification.
- Both reduction allowances have been eliminated in R6 section 5.2 and replaced with a maximum audit time reduction of 30%. This includes the following permitted reductions:
  - Companies that don't have product design responsibility – 15%
  - Corporate Scheme reduction – 15%
  - Companies transitioning from a Letter of Conformance to a full certification – 30%
  - Companies upgrading from ISO 9001 to IATF 16949 – 30%
- **The maximum discount is 30% regardless of how many discounts you qualify for.**

More Audit Time Onsite And *(Likely)* More Audit Planning Time *(Part 2)*

- Another key change pertains to the time added for verification of prior nonconformances (PNCRs)
- Under the prior version of the Rules PJR was permitted autonomy in deciding how much PNCR time was needed.
- Under R6 clause 5.2o it is now mandatory to add:
  - 30 to 60 minutes for each Minor NCR from the most recent audit (unless those Minor NCRs were already verified at a Special Audit.)

More Audit Time Onsite And *(Likely)* More Audit Planning Time *(Part 3)*

- As prior indicated each site and each support location will need a minimum of 0.5 day of offsite planning time.
- IATF Auditors were previously allowed to perform a single 12-hour audit day to ensure shift coverage. Audit day duration has now been capped at 8 hours – meaning that more calendar days are likely in certain situations.
  - Team members (if applicable) are now required to perform a minimum of 8 hours per audit.
- Under new R6 clause 5.2q - underperforming scorecards from an IATF OEM member (Ford, GM, etc.) will mean a minimum of 4 additional audit hours, up to a maximum of 8 additional audit hours.
- Lastly – R6 clause 5.2g indicates that a manufacturing site's minimum audit duration following application of all discounts must be 1.5 days for all audit types.

Elimination *(Sort Of)* Of The 1-Hour Pre-Audit Review

- Current clients no doubt are quite familiar with the “one hour pre-audit review” activity that precedes the official opening meeting of the audit.
  - This event was positioned as a re-review to ensure that the pre-audit planning information provided to the auditor was current and to ensure the auditor had a chance to review any changed information (and potentially update their audit plan.)
- R6 clause 5.7.2b has eliminated the 1-hour event but has replaced it with language calling for a review of the same information during the opening meeting with management present.
- PJR presumes this has two intentions:
  - Ensuring that management is committed to the success of the audit and is activity reviewing critical information such as scorecards; and
  - Making the review of current information an actual part of the audit itself (bear in mind that IATF Rules mandates that an audit cannot be terminated once it has started without suspension of the certificate.)

Changes Impacting The Process For Responding To A Nonconformance

- The final category of change we will explore are the changes that pertain to the process followed for responding to a nonconformance (whether a major or a minor.)

Major NCRs – A Shorter Timeframe To Respond

R6 clause 5.11.1 mandates that a client has 15 days to provide its initial response to a major nonconformance. This initial response includes:

A correction/containment statement supported by evidence;	An acceptable root cause analysis; and	A plan for a systemic corrective action.

Prior versions of the Rules allowed 20 days for this information to be provided.

Major NCRs – The Special Audit Is "One-Time Only" Now

- One of the more stringent requirements of the IATF standard has long been its requirement that a major nonconformance means automatic certificate suspension and a mandatory special audit to confirm effective implementation of corrective actions.
- In the past, PJR was allowed to perform multiple special audits if needed so long as final approval was issued within 90 days.
- That latitude has been removed by a statement given in R6 clause 5.11.4 which stipulates that the mandatory Special Audit is a "one-time" event. If the Special Audit result is negative the certificate is withdrawn, and the client must start over with a new Initial Audit.
- Bottom line – make sure you're ready for the Special Audit because you'll only get one chance at it.

Special Audits For Major And Minor NCRs Have Mandatory Durations Now

- In the older version of the Rules, PJR was granted autonomy on the needed duration for a Special Audit.
- Under R6 clause 5.2.2c it is mandated that a Special Audit being performed to verify one or more major and/or minor NCRs must use the following time requirements:
  - 1-3 hours for each major; and
  - 30-60 minutes for each minor.
- This is required regardless of what the NCR was written for.

Changes To "Open But 100% Resolved" Protocol *(Part 1)*

- R6 clause 5.11.3 mandates that all corrective actions must be verified within 90 days of the end of the audit (whether through correspondence in the case of a minor NCR, or though a Special Audit in the case of a major NCR.)
- In some cases, it is simply not possible for the corrective actions to be verified, such as when a client's corrective action includes:
  - Training to be provided by an outside source with no availability within 90 days;
  - Many items that need to be resolved (200 gages requiring an MSA analysis, etc.)

Changes To "Open But 100% Resolved" Protocol *(Part 2)*

- Such cases can be addressed using the "Open but 100% resolved" provision now found in R6 clause 5.11.3.1. This clause allows PJR to accept your response and perform a Special Audit to verify full implementation later (in excess of 90 days.)

- The key differences from past versions of the Rules are that:
  - The mandatory Special Audit must now take place 90 days or more prior to the next regularly scheduled audit;
  - The client is required to provide evidence of implementation of their delayed corrective actions 30 days or more prior to the Special Audit; and
  - The Special Audit is a one-time event and cannot be repeated.

Miscellaneous Changes Of Note *(Part 1)*

R6 clause 3.1h mandates that if a consultant is present and/or participates in the audit PJR is required to terminate the audit. It is noted that this includes both "direct and indirect" participation by a consultant.

R6 section 5.1.1 has eliminated the possibility of a semi-annual surveillance audit. All certified clients must have their surveillance audit once a year. Current clients will be allowed to complete their cycle and transition to annual audits after the next recertification.

R6 clause 6.1c (taken in tandem with R6 clause 5.15.1) mandates that PJR is required to collect a new application from the client if any of its locations either reopen following a closure or following a relocation event.

R6 clause 2.5.2e mandates that PJR can no longer offer a "Pre-Assessment" audit for IATF 16949

Miscellaneous Changes Of Note *(Part 2)*

- R6 Section 6.1 presents a whole new list of required that PJR must acquire to provide a prospective client with a quotation for certification. Among the newly required information points are the following items:
  - Information on prior IATF 16949 certifications held within the past 3 years;
  - Information on known USI numbers (this is a special number assigned by the IATF database and shown on your certificate);
  - Interaction of Processes map;
  - A written declaration of product design responsibility;
  - The intended scope statement for all manufacturing sites;
  - Information on failed certification efforts from the prior 6 months;
  - Information on performance complaints from any IATF OEM members; and
  - Information on prior IATF Letters of Conformance from the last 3 years.

Conclusion

IATF Rules 6th Edition presents a host of new requirements that will impact nearly all PJR's IATF 16949 certified clients.

It is our hope that the content of this presentation will enable you to be prepared for the new expectations coming in 2025.

- *"Understanding PJR's PRO-3 and Related Bylaws Governing Proper Promotion of Your Management System Certification"*
  - This webinar offers helpful information on how to promote your certification and stay within the various bylaws that dictate such practices.
- *"Your Ongoing Relationship with PJR."*
  - This webinar explores what is expected of PJR's client when changes occur at your business while also providing a detailed explanation of the disputes process.
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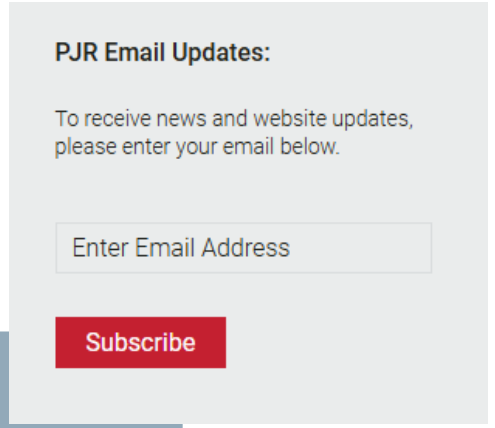

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